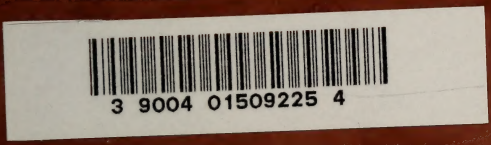
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MONEY

Paper read by

JOHN H. HAINING

before the

Sault Ste. Marie Welfare Society

December 1918

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Sault Ste. Marie Welfare Society

AIMS AND OBJECTS

1—To make Sault Ste. Marie the model city of the world.

Where the death rate is the smallest.
Where the standard of morality is the highest.
Where the children are the best born and bred.
Where the education produces the best citizens and workers.
Where the greatest wealth is produced per person.
Where the division of wealth is the most just.
Where the citizens live their lives according to their own ideals.
Where the greatness of folk is measured according to services rendered.
Where the confidence between women, children and men is the greatest.

2—The Society shall encourage the study and discussion of Ethical, Moral, Economic and Political questions.

3—The Society shall be non-Sectarian and non-Partisan.

4—The Society shall as far as possible endeavour to give effect to any of its findings that make for the welfare of the city.

5—Membership is open to all citizens of Sault Ste. Marie.

6—Entrance Fee—$1.00.

7—The Officers shall consist of a President, Vice-President and Secretary, who shall perform the duties usually associated with these offices.

8—Committees shall be formed from time to time to carry on specific work.

9—Nothing shall be published under the name of the Society unless confirmed by a vote of members in general meeting.

10—Time and place of meetings etc. shall be determined from time to time by a vote of the members.

J. H. HAINING, PRESIDENT

P. J. CURRIER, SECRETARY

MONEY

In giving a definition of any thing, we are more or less familiar with, yet have some false ideas of, it is often important to define what it is not, so let me first state: money is not necessarily wealth. If all the paper currency, notes, deeds, mortgages, bonds, stocks etc. of the country were made a bonfire of, the paper consumed would be the only wealth destroyed; our respective claims to that wealth would be wiped out, and our confidence in each other would receive an awful blow. The real wealth however would remain.

When Mother Earth has been impregnated by productive toil, wealth is brought forth. It is created by natural law, while money is made by act of parliament or by mutual agreement. Money is a creation of law, a thing made necessary by commerce and credit, performing several functions in our body politic. It is a medium of exchange by which we exchange the product of each others' toil. It is a certificate of credit of work performed or wealth held in possession by someone else, but owned by the bearer. It is a tool of commerce, and holds the same relation to industry and commerce as implements to the farmer or tools to the mechanic, but at all times and under all circumstances, it is a measure of value, it is the yard stick of commerce which transacts and measures business. We have rules by which we measure weight, bulk, temperature, strength, sweetness, fats etc., while money measures value, As in

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all other measures, the money measure that is most accurate and and convenient and that fills its functions best, is best. A money system that has at all times the same purchasing power, that we have the most confidence in, that has sufficient elasticity to meet the requirements of the people; that keeps them engaged in productive toil, and enables the producer to keep the great portion of it or its equivalent, or exchange it easily for other men's produce, is the least expensive and least burden to the nation.

Time will not permit me to examine the merits and demerits of the respective money systems of the different civilizations of the world's history— sheep, cattle, goats, brass, copper, silver and gold, trimetallism, bimetallism, monometallism and fiat money. (i.e. declaring certain stamped coin, leather or paper to have certain value) or a paper currency issued by the government, or government banks, redeemable in some form of wealth, cheques, or due bills, issued by private individuals or corporations.

In the sixteenth, seventeenth and eighteenth centuries, most of Europe and Asia had the double or triple standard of gold, silver and copper, 13½ to 15½ grains of silver to one of gold. In 1792 the United States adopted the double standard of 23.22 grains of gold to the dollar, and silver at the ratio of 15 to 1. In 1833 they changed the ratio to 15½ to 1, and in 1837 to 16 to 1. In other words, the debtor had the privilege of paying off his debt at 23.22

grains of gold to the dollar or sixteen times that amount of silver. In one sense this is a double standard, in another it is not, for the debtor will pay the creditor off with the cheapest metal, thus driving the dear money off the market. Another factor is when the one metal is dearer in proportion to that ratio, the tendency is to melt the dear coin into bullion and sell it on the market. Britain adopted the single gold standard in 1816. In 1866 the Fathers of Confederin this country adopted the single gold standard of 23.22 grains of pure gold to the dollar; when coined ten per cent. of alloy is added for hardening purposes.

The discovery of gold in Australia and California about 1847 cheapened gold and drove silver coins off the market, being worth more in bullion, so the United States were obliged to make a silver coinage 7 per cent. under standard weight to keep it in circulation for change. In 1871 Germany demonetized silver, the U. S. in 1873, France, Switzerland, Belgium and Italy in 1878. These acts of parliament together with the decrease in the output of gold, increased its purchasing power to such an extent that a dollar would buy double the amount of corn, wheat or other farm produce; three times the amount of cotton, two-thirds more silver in 1890 to 1896 than it would in 1873. The silver capitalists of Nevada, Colorada, and other silver producing States, thinking they were discriminated against by the demonetization of silver, started a campaign to have it restored. The farmers who

had placed a mortgage of $1,000 on the farm in 1875. found in 1893-4-5 that it took twice as many pigs, cattle, horses or bushels of corn, oats, wheat, barley or rye to pay either the principal or interest than it did when they placed the mortgage; naturally they threw in their forces with the silver capitalists, and the southern cotton growers did the same. There were more men out of employment in the United States and Canada and all gold standard countries, especially debtor countries, than for many a long day. Pauperism, insanity and crime were greatly increased.

It often happens that kind Providence answers the supplications of the oppressed in a very different way than that they look for, and brings relief by other means than our would-be statesmen. As I read history we have, in nearly all cases, elected to power our oppressors and slain our saviours. Labor organizations have generally opposed labor-saving inventions. I expect we shall stick to Protection until aeroplanes are plentiful, then smugglers will be in every family.

The discovery of gold fields in South Africa, Alaska, British Columbia, and the Klondyke, largely increased the output of the precious metal. That, together with the modern method of business credits whereby one dollar does as much business as one hundred did in by-gone days, enabled an ounce of gold to support much more business than it used to; causing a surplus of gold, thereby decreasing its purchasing power,

In other words, prices began to advance. Compared with nearly everything else, gold was falling in the market. The tendency was for those having holdings in gold to exchange for holdings that were advancing.

We had "good times" for those who had debts to pay, compared with the early nineties. The farmer, after paying interest on his mortgage, had a little left to buy some clothes, implements and furniture. This stimulated industry. The unemployed got work and wages began to increase. In the United States the election of 1896 placed the Republicans in power, pledged to a high protective policy. while here in Canada the Liberals were elected the same year on a platform of "behead Protection and trample on its carcass", and it is wonderful to recall the fact that many people gave the credit of the advance in prices to both these opposing policies

When the Great War broke out, we lost confidence in one another, and turned to our respective gods, consequently there was such a demand for gold that it paralysed even the Bank of England; so the Government came to their rescue and declared Bank Notes to be legal tender, and passed the Moritorium Act so we did not have to pay our debts until after the war. This deprived gold of its power. In Canada the banks were allowed to greatly increase their currency circulation, enabling an ounce of gold to still further perform more work until today gold stands in relation to silver nearly where it

stood before silver was demonetized, and in relation to other commodities it has about one-quarter the purchasing power it had in the early nineties.

What would we think of a yard measure that was eighteen inches long in 1875, thirty-six inches in 1895, back to eighteen inches in 1914, and but ten inches in 1918. Yet the purchasing power of the dollar has changed that much from 1875 to 1918. It has been said on the best authority that "A false weight and a false measure is an abomination unto God", and history and experience clearly reveal that it has been a disturber of peace and goodwill among men.

Our Dominion Government entered into a treaty with soldiers going overseas to give their wives so much per month separation allowance "Twenty measures of meal" (using a Scriptural phrase) "thirty measures and up" for officers' wives (a valid reason for the difference I have not heard) but the allowance to privates' wives so altered in four years that it equalled but twelve measures of four years ago, according to the report of a Committee appointed by the same Government, so the Government decided it would be fair and honorable to give five more measures (small size) to privates' wives and ten more to officers' wives; equalling fifteen original measures for privates' wives and twenty-four and up for officers' wives.

What would you think of a bushel measure that would hold four times as much wheat or

other farm produce one year as it would another. It would make but little difference if two or more farmers were trading wheat for oats, peas for beans, but when it is the payment of a debt it is essentially right and just that the measure should hold neither more nor less than it did when the debt was contracted. An honorable and an intelligent people will demand a just and true measure.

Under our present monetary system, when by any cause money becomes scarce, there is not sufficient elasticity in the system to enable it to meet all demands. There is not any automatic system by which the circulation can be increased but by men taking to the wilds to seek for gold, and this takes years—perhaps decades before sufficient is discovered to meet all requirements. Here it might be well to draw attention to the fact that for every dollar in peoples' pockets or in banks, or gold in the Government vaults, there are about five hundred people paying interest on it. When money is scarce our tendency is to grasp for it to pay the interest or principal we owe, but for every $500.00 to be paid there is but $1.00 to pay it. As a consequence the merchant will not buy goods, but slaughters his stock of merchandise to meet his payments. The manufacturer not being able to sell closes his factory, and the laborer thrown out of employment cannot buy. General depression sets in. Bankruptcy is the order of the day. We lose confidence in each other. One class blames the other class. The

fact is, no one class is to blame but only our monetary system. The wonder is we run so smoothly.

For illustration, let us suppose the members of this Society were shut out from the outside world, and that our united assets are $100,000. We owe among each other in notes and mortgages say $50,000, while we have but $100.00 in money. I have a $200.00 payment to meet in six months' time. I have $90.00 in cash. Being honest and conservative, I determine to make that payment. One of you members owe me $100.00, which is due. There being but $10.00 in the entire community outside of my pocket to meet it, you can readily see without stretch of imagination how I might bankrupt you all and do it in self-protection, yet this is the exact state of affairs in the world to-day on a much larger scale.

If our wealthy men were as unscrupulous as some charge them to be, they would rob us of all we possess every little while, for we certainly are at their mercy, and it is well known that a few men have sometimes caused financial panics.

In the early sixties, a few men in the United States planned to corner the gold of the world, but Abraham Lincoln saved the situation by taking the gold from the Government vaults, and throwing it upon the market. These men, not expecting such action, did not have enough goods to take up this gold, so their scheme failed. If the Governments of the

United States, Britain, France, Germany and Canada, in the early nineties, had thrown the gold they held in reserve upon the market, wheat, beans, beef, and everything else would have sold at as high a price as they are selling to-day, and the probabilities are that the gold fields of the Klondike and South Africa would never have been developed.

If a very few men of the Rothschild class, who have their securities out on interest, would exercise their legal right, collect payment of interest and principal as it becomes due in gold, put it into vaults and refuse to lend it out, in a short time wheat would sell at about ten cents per bushel, and the laborer would not be able to get more than twenty-five cents a day. Men whose wealth is now measured (by our measure of value) at $500,000, who owe $1,000 of debts, would become bankrupt, because the measure of value would so alter as to take all the $500,000 property to pay the $1,000 debt.

When depression comes as a result of drouth, frost, rain, blight, etc., we must apply natural science to overcome these difficulties, but when it is the result of any other cause, it is due to our political stupidity, and can only be permanently solved by the science of economics.

The evidence is so overwhelming in condemnation of the single gold standard, of its unfairness and fluctuating value, that I wonder any can be found to plead its cause. The trouble is, those who condemn it cannot get

united on an alternative, and those who condemn it in one decade uphold it in the next, and vice versa. The debtor class who condemned it so in 'ninety-three, four and five, are satisfied to-day. Some, of course, wish to return to the good old days of bimetalism. And there is no doubt, in my mind, it has many advantages over the single gold standard. I do not know of a writer of economics of any note, however, who claims that either gold or silver or bimetalism is an unwavering standard of value. The Idealist condemns both as forms of idolatry. Adam Smith claims "Wheat is a more staple standard of value than gold."

There are those who claim the standard of value of a country should be the chief export products of the country; for instance, in Canada, say wheat, beef, cheese, pork, etc., and, while such a system has its disadvantages, a great deal can be said in its favor, providing the Government introduced legislation somewhat along the same lines with regard to these chief products as it now does with gold. Suppose, for instance, it stood ready to give in paper currency $2.00 per bushel for wheat of a certain standard, $5.00 per hundred for flour of a certain grade, 15c. per pound for hogs and cattle of a certain quality, and nickel so much per ounce, none of these commodities would fall below these prices, save the cost of transportation to the place where the Government was ready to make the exchange. This currency to be made legal tender for all private debts, and

to be accepted for customs and all other taxes collected by the Government. This system would establish a confidence in those engaged in these respective industries, and stimulate production in all parts of the country suitable for these products.

The Government would, of course, dispose of such products in the markets of the world, for other necessities and for gold to pay interest or principal on our national debt if found desirable. Our dollar, under this system, might not stand at all times in the same relation to the dollar or unit of other countries, but its advocates claim with good reasoning that it is our labor and the product of it that we are depending on to live and pay our debts to the Government and individuals with whom we may have entered into agreements. If the Government makes certain demands of its citizens, it should also make provision by which they can be met by the labor, industries and resources of the country.

There has been no difficulty in trading with the United States, Great Britain, France or Italy in the last four years, although our respective standards or measures of value have greatly changed. Furthermore, it is surely evident that if other countries or our debtors must have gold, it is easier for us to get that gold if thrown on the market than held in vaults—cornered, so to speak.

Money is a tool of trade and commerce, and bears the same relation to industry as farm

implements to the farmer or tools to the mechanic. It cannot be measured by its intrinsic value, but its usefulness in the production of wealth. A nation that lets its money out of its country when needed at home is like a farmer who sells his team and implements to meet his requirements instead of his surplus produce, thereby crippling himself for producing more produce; or the mechanic who sells his tools because he gets their value, and goes without a job himself.

One great weakness of the gold standard or even bimetallism is the danger of it getting out of the country, or, equally as bad, of being cornered in the country, instead of giving useful employment to its citizens. Protection, with all its evils, has this redeeming feature, it tends to keep the money of the country at home, causing wealth to be produced and keeping men employed who might otherwise be idle.

Keeping before our minds that money is a tool or implement of commerce, let us remember that its value does not consist of the material it is made of, but by the perfection of its work. The plow that will turn the most soil the best with the least draft, last the longest and cost the least, is best. Who would not pay more for a specially tempered steel tool than a gold or silver one if he had to work with it?

A sound money system bears the same relation to industry as the governors of an engine do to the engine, regulating its speed and conserving its power. As the governors open the

valve to let in more steam when the engine has a heavy load, or closing it off when the load is released, and preventing it from running away, just so a good money system will regulate industry and prevent booms and panics.

It is feared by many that there will be a general depression as the war is closed, in spite of the fact that we are victorious, and claim indemnity from our enemies. There would be no danger or even fear of such depression if we had a sound economic system. Let us imagine a family of, say, twelve working in co-operation. Some enemy makes an attack on that family, and two of the strongest of them are called from the field of production to defend or protect that home. The young and old had to produce for the other two besides themselves, and supply these other two with many weapons of defence. Would that family have any fear of the depression that would follow the day after the enemy was overcome? A rule we learned at school was, "Multiplying two or more numbers by a given number does not alter their relation one towards another." The economic laws that bring prosperity to a family of twelve will, if applied, bring prosperity to a city of 12,000, a nation of 12,000,000, or an empire of 120,000,000. Why, when half a million of the pride of our land come back, and with three-quarters of a million who were producing instruments of death and destruction, unite in the production of the essentials of life and happiness, should we fear depression and sadness?

Because we lack confidence in our money system. We are like a teamster driving a balky horse, who never knows how he will act when conditions change; or a man running an industry with a poor engine, who is in constant dread of it "kicking," leaving his men idle while their wages go on.

People have to be fed, clothed and housed whether they produce or not, and it is up to us to so adjust conditions that at all times every person has an opportunity of producing something useful. I wish to emphasize, first, last and always, that political economy is like economy of home, the field, or factory. It is the utilization of the forces under our control to the best possible advantage. If we need grain to sow our fields, food for those who sow the fields, or implements to cultivate, iron, steel or wood to make these implements, rails or cars to get these implements to their destination, and have not merchandise to trade without impairing our efficiency, let us borrow, even though we have to pay 10, 15 or 20% interest. Better for a farmer to pay 100% interest to buy a set of harness, so as to be able to use to advantage his labor, land and implements and team, than for him and his family and team to go idle, and his land out of use. What would we think of a family who had all the necessary equipment, including labor, to run that farm, but could not, or would not, get them working from the lack of understanding or confidence in each other, or a proper system of book-

keeping, giving each one credit for the work he did. Or what would we think of their judgment if, to solve their difficulty, they borrowed $5,000 and paid 8% interest, put that money in a drawer, and from week to week, or from month to month, paid each individual according to work performed. But is that not precisely what happens to a nation when they have a depression? Seldom has depression or hard times come to any commercial country, as a whole, because Providence did not respond to man's productive energy. Seldom do men, women, and children go naked and hungry, or ask for charity, because clothes and food are high, or men seek employment for lack of capital. When depression is the result of such causes we need to and are justified in borrowing capital to meet our needs until Providence smiles more kindly upon us. Generally depression comes, when Providence is exceedingly kind, but we, as a nation, know not how to appreciate and utilize that kindness. Usually there is abundance of capital, merchandise, labor, politicians, and stupidity, especially stupidity. What is lacking is organizing ability, national co-operation, national bookkeeping, an intelligent electorate, who will choose as their law-makers and administrators students of economics, men of large business capacity, who can devise plans to utilize these wealth-producing forces to the best advantage for nation building and the happiness and development of its citizens.

Every successful industry or business enterprise endeavors to keep overhead charges down to a minimum. If they cannot make non-productive capital productive, they dispose of it. No firm would think of keeping a sum in excess of its immediate needs in the current account in the bank. A great many successful firms will be overdrawn in the bank by their own books, letting their signed "pay to the bearer" be used as money instead of the banks signed "pay to the bearer" in the circle they do business. And to the extent they are able to do this they are able to save interest on that amount of money. This is the method or system by which the banks themselves derive their chief revenue. The banks deposit with the Government in like manner as we deposit with the bank certain sums of money or credit, but they are privileged compared with us in this respect. They are allowed to issue three times the amount of "pay to the bearer" they deposit, and their "pay to the bearer" gets certain Government backing which inspires confidence in the minds of the people to such an extent that the banks of this country have approximately three hundred millions of "pay to the bearer" currency, while they have but one hundred millions deposited to meet it.

The banks of this country have loaned to the public three hundred million in lieu of the one hundred million they have deposited as security. Assuming they lend this at 7%, they actually get 21% on the amount of money they

have deposited, and at certain periods and under certain circumstances they are allowed to exceed this proportion. This system is, on a whole, a benefit to the country, giving some elasticity to our currency, causing much wealth to be produced and exchanged which otherwise would not. The objection to the system is the stockholders of the banks get the benefit of the interest on the two hundred million extra, instead of the public that gives it the credit. A citizen of our country who has $100,000 of assets and no liabilities needs $100. He goes to the bank and gives his "promise to pay" for the bank's "promise to pay," but the bank charges him 7% for the exchange of notes. Why so? Because the Government backs the bank's notes. The citizen's note is much better security, however, having less liabilities in proportion to his assets.

Sir Edmund Walker, in defending this system, shows the great waste of capital or wealth it would be to have three hundred million of gold lying idle in the vaults of our country, and I am in full accord with him in this respect. Where I differ with him is, why have the one hundred million lying idle. So far as any real good it is doing, it might better never have been mined. We have to pay to guard, protect and insure it.

If we can adopt some system of money which will save the overhead charge on this one hundred million dollars, the public loaning its credit to industries as it does now to the banking

institutions, and filling the other functions of money as well or better than gold, we will have taken a wonderful leap forward.

After giving this subject more or less study for twenty-five years, gathering information wherever possible, I offer for your consideration the following suggestions:

For the sake of giving useful employment to every person out of work, the Government should start the construction of a national highway from coast to coast where necessary, and any other undertaking, such as hydro and ship canals, docks, etc., of a national character. Payment for the construction of these to be made as follows:

The Government to issue a limited number (sufficient to cover cost of such work) of non-interest bearing bonds or bills of $1, $2, $5, $10, $50 and $100 denominations.

The Government to call for volunteers to work on these public undertakings and pay these "soldiers of the common weal" who can pass an examination of work fitness a fixed standard wage of, say, forty cents per hour for privates (or common labor), payable in these non-interest bearing bonds—prosperity bonds. Officers (or supervisors) to receive an additional amount in proportion to their usefulness and responsibility. The Federal Government to loan these bonds to the Provincial Governments at 1% interest, for them to construct public works of a provincial undertaking, and they, in turn, to loan to cities, towns and rural munici-

palities at, say, 2% interest, and they, again, to be empowered to loan to private individuals and private enterprises up to 50% of the value of their holdings at 3% interest. These bonds made not "promises to pay," but "promises to receive," and these, and these only, to be received for all debts, rates, taxes and duty due the Governments, Federal, Provincial and Municipal. This, to my mind, would give them all the value, and force, necessary. It might be well to consider the advisability of making them legal tender for all private debts contracted in the future.

The war just closed has demonstrated once again, perhaps a little more fully, "That no man liveth unto himself."

In every sphere and activity in life success means co-operation, and the more perfect the co-operation, the greater the success. Just here let me declare that every upward step mankind has made upon the plane of civilization has been by man's faith in co-operation with and dependence upon his fellow.

The nations that make the greatest progress are those who realize this principle and act upon it. The wonderful stories of the pioneers of this country are the stories of self-sacrifice, co-operation and dependence. The greatest undertakings of this country have been accomplished by the credit of the whole nation. The railways and other great enterprises of this country were built by the nation lending its credit to them. The confidence we have in our

banking institutions is in proportion to the backing they receive from the nation. Our steel industries were started by a bonus of so much per ton from the Government. While the people of this country have approved of a policy of paying from 10 to 45% more for their eatables, wearing apparel and tools of production than their cost in the markets of the world, with the object of developing our industires. The proposed scheme is just carrying the principle a little farther and developing it, by giving the credit of the nation to every person willing to work for the nation in proportion to the work performed under the direction of the Government.

Under democracy, Government is a social contract ("of, for and by the people"), where each citizen owes to the state certain obligations and is entitled to certain rights and privileges. We divide up the land of the nation, which is our common heritage, and give one person or company absolute control of a certain portion of it, to build a home for himself, till the soil, or build a factory; while the arm of the nation is ever ready to protect these homes and factories and their contents and their claim to these against all comers. We even conscript men to defend with their lives these homes and properties. This is right and proper. But it is also right and proper that those so guarded and protected shall pay just remuneration for the privileges they receive from the state.

Every person has "the right of life, liberty and the pursuit of happiness," and, although the state does not owe any person a living, it owes every person a right to earn a living. The system proposed would give every man an opportunity to work for the state at nation building or repairing, for which we would give him a "promise to receive". These promissory notes we would demand in taxes from those whose homes and properties we guard and protect, thereby making us bow to those who produce the nation's wealth, instead of those who manipulate it.

The scheme suggested is based on sound, economic laws: 1st. That wealth is the result of productive energy. 2nd. Money is a certificate of wealth from the state for wealth held by the state deposited by some one and credited to the bearer. 3rd. It would give every person an opportunity of earning a living by producing wealth, paying the debt he owes to the state by working for the state, or produce the necessities for life and happiness on his own initiative or for some private enterprise, and exchanging these with those who do work for the state for doing their share of national service. 4th. It would make Labor King of Industry, Queen of Commerce, and our worth would be measured by the services rendered the human race. 5th. It would give us a measure of value just and equitable, having at all times the same purchasing power, and help to establish the just and sound principle recognized by all students

of economics that the price of anything should be measured by the amount of labor it takes to produce it under equal conditions. If applied, it would cause much more wealth to be created, and conditions much better for the producers. It would give "the idle poor" a chance to produce and earn an honest living, and retard "the idle rich" from taking the wealth of the producers, causing them, too, to enter the field of production. Let me repeat again and again, that nations, like individuals, can only become rich by production, by industry, or plundering those who do produce.

There is nothing new in what I have advocated. For the suggestions offered I am indebted to Adam Smith, Henry George, John Stewart Mill, Robert Blatchford, Edward Bellamy, Sir Edmund Walker, Judge Garry, F. S. Norton, J. S. Croxy, and A. W. Wright (late Conservative organizer for Canada), and others to whom I am grateful. I offer it for severe and careful criticism. I will be pleased to have any criticisms, amendments, improvements and suggestions. As for weaknesses there may be in the scheme, no one will be more anxious to know them than myself—pay me the compliment of revealing them to me, and I will be ever grateful.

JOHN H. HAINING.